

Event backgrounder: Information to support meeting with Murray Strong, Chair, Te Pūkenga Council, 15 April 2021

To:	Hon Chris Hipkins, Minister of Education
From:	s9(2)(a), Acting Manager, Delivery & Projects
Date:	14 April 2021
Reference:	E-21-00165

Purpose

1. You are meeting with Murray Strong, Chair of the Te Pūkenga - New Zealand Institute of Skills and Technology (Te Pūkenga) Council, on Thursday 15 April 2021, at 9.45 – 10.30am.
2. Te Pūkenga has provided the following indicative agenda:
 - Critical path;
 - Reform of Vocational Education (RoVE) interdependencies and engagement;
 - Operating model progress;
 - Transitional Industry Training Organisations (transitional ITOs) transition – employer voice – transitional ITO feedback;
 - Capital asset and infrastructure management / information systems strategic plan (ISSP) update; and
 - Semester One enrolments.
3. This backgrounder provides you with a brief summary of Te Pūkenga and information to support the discussion, including: 2021 enrolment data, progress on Te Pūkenga's operating model and transitioning the transitional ITOs.
4. We recommend that you release this aide-memoire with some information withheld due to commercial sensitivity and the provision of free and frank advice.

Te Pūkenga is New Zealand's largest vocational education provider

5. Te Pūkenga was established on 1 April 2020 and comprises 16 subsidiaries that were formally independent Institutes of Technology and Polytechnics (ITPs).
6. Te Pūkenga's 2021 Current Approved Allocation is \$680.3 million.¹ This includes \$40.8 million of funding from the Targeted Training and Apprenticeship Fund (TTAF).² Te Pūkenga is funded

¹ Data sourced from Qlik as at 14 April 2021, My Allocations and Payments App, using the Summary sheet with filters for
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to deliver approximately 49,488 equivalent full-time students (EFTS) for Student Achievement Component (SAC) Levels 3 and above in 2021, with potential access to an additional \$35 million. This has been set aside specifically for Te Pūkenga additional funding requests during 2021; \$2 million has already been allocated.

Most subsidiaries are reporting growth in domestic EFTS in 2021

December 2020 Enrolment update

7. Te Pūkenga EFTS declined by 4 percent (2,728 EFTS) in 2020. This was driven by a 0.5 percent decline (245 EFTS) in SAC and Youth Guarantee (YG) funded EFTS and a 14.5 percent decline (1,574 EFTS) in full-fee international EFTS. Five subsidiaries reported an increase in SAC and YG funded EFTS. Most subsidiaries are reporting strong growth in domestic EFTS in 2021.

Indicative 2021 enrolments

8. Updated data will be available following the April 2021 SDR; however, information from the March 2021 indicative enrolment SDR shows Te Pūkenga reported a 21 percent increase in enrolments, from 31,542 EFTS in 2020 to 38,244 in 2021 for SAC Level 3 and above.
9. All NZSCED subject areas except Creative Arts have reported increases. The largest increases in enrolments were for courses in Agriculture, Environmental and Related Studies (up 892 EFTS/87 percent) and Architecture and Building (up 1,721 EFTS/50 percent).

The TTAF initiative has supported increased enrolments

10. The TTAF initiative has stimulated significant growth in demand for eligible qualifications. As a result Te Pūkenga is seeking additional funding for 2021.
11. The Tertiary Education Commission (TEC) has established a fast-track additional funding assessment process where Te Pūkenga can request to draw down SAC Level 3 and above funding from a \$33 million pool. Where approval is granted, Te Pūkenga will then be able to distribute funds to its subsidiaries in response to their need for additional funding during 2021.

TEC has been working with Te Pūkenga on learner success

12. We partnered with the Waikato Institute of Technology (Wintec) in a learner success pilot project in June 2019. The project was part of an initiative involving four tertiary education organisations (Wintec, Waikato University, Te Wānanga o Raukawa and the Manukau Institute of Technology) to trial the TEC's Learner Success Framework (LSF). Wintec's project validated its use and provided valuable recommendations and insights into ways of improving and implementing the LSF.
13. As a result, Wintec developed a blueprint for a new operating model for the organisation. A number of learner success initiatives have already been implemented, including the New Student Enrolment and Retention project, which provides intensive support and guidance for learners in some of the lowest performing courses at Wintec - and is already showing positive results in terms of course completions and retention rates.
14. Lessons from the Wintec pilot have informed Te Pūkenga's Ākonga at the Centre work programme to design an operating model which places learners at the centre of the organisation.

reporting year (2021) and TEO type (Institute of Technology or Polytechnic).

² Note the quantum will increase as transitional ITOs transition into Te Pūkenga from mid 2021 onwards.

15. Te Pūkenga developed a Learner Success Plan (LSP) as part of their 2021 Investment round documentation. Overall, Te Pūkenga's approach to learner success is demonstrated through their commitment to developing an operating model focused on understanding their learners and their specific needs.

Te Pūkenga is a key partner in the RoVE Programme

Governance and delivery

16. As set out in your Letter of Expectations, Te Pūkenga is well integrated into the RoVE Programme from both the transformation and transition perspectives. This includes: governance and management groups, communications, and the planning and delivery of major milestones in 2021. This is working well, as the approach is transparent and collaborative.

17. Key connections include:

- Stephen Town is on the monthly RoVE Programme Board, which is chaired by TEC Chief Executive Tim Fowler.
- Merran Davis (Te Pūkenga Deputy Chief Executive Transformation and Transition), sits on the Design Authority. This group considers all aspects of design occurring across RoVE and their alignment with the RoVE outcomes.
- David Strong (Director, RoVE Programme), is a member of the Te Pūkenga Transformation and Transition Programme Board.
- Te Pūkenga attends monthly meetings with the transitional ITO chief executives.
- The Te Pūkenga Programme Management Office attends the RoVE Programme Leadership Group.

Work on Te Pūkenga's operating model is well underway

18. In November 2020, Te Pūkenga appointed Ernst & Young and Ernst & Young (Tahi) to partner it in the development of its operating model. The operating model will cover all aspects of how Te Pūkenga operates and interacts with learners and stakeholders, including how it will give effect to its Charter.

19. A co-design group has been formed which includes learners, employers, and thought leaders. Māori and priority learner group representation comprises 50 percent of the group. This group will play a core role in testing and deciding the direction of the operating model work. Supporting the co-design group will be a large number of reference groups which will provide ideas and feedback to the co-design group.

20. The co-design process has been designed to move beyond collaboration to power-sharing, meaning that decisions on design will be made between Te Pūkenga and its Te Tiriti partners. Three co-design sessions have already been held, as well as a two-day workshop with the Tertiary Education Union and a workshop with transitional ITOs. A further two co-design sessions are planned over coming months. Significant analysis has been undertaken on the Ākonga at the Centre engagements, and ongoing work on the employer journey and experience work stream is underway, which will also input into the development of the operating model.

21. It is planned that the co-design process will deliver a high-level conceptual design of the operating model by the middle of the year. Te Pūkenga then expect to have a draft operating model designed by the beginning of September, which will be consulted on before being finalised by November.

22. The operating model work will be the cornerstone of a Programme Business Case to be submitted to you later this year. Implementation of the operating model is expected to occur over 2022 with the Education and Training Act 2020 (the Act) requiring all previous ITP subsidiaries and transitional ITOs to cease by the end of 2022.
23. The operating model will underpin nearly everything Te Pūkenga does. To truly deliver on the objectives of the reforms and its Charter, Te Pūkenga are being ambitious. s9(2)(g)(i)

Progress continues on transitioning the transitional ITOs

24. Four transitional ITOs are seeking to transfer their arranging training function into Te Pūkenga in 2021. Kompetenz, the Building and Construction Industry Training Organisation (BCITO), Connexis and the Motor Industry Training Organisation (MITO) have signed a letter of intent to transfer their arranging training activity into Te Pūkenga in 2021. Collectively they hold 45 percent of the 2021 TEC allocation to transitional ITOs for trainees and apprentices. Kompetenz, BCITO and Connexis are targeting a transition date between August and October 2021, whilst MITO is aiming for the end of the year.
25. However, Te Wānanga o Aotearoa (TWOA) has also confirmed their interest in taking on arranging training and transitional ITOs have commenced engagement with TWOA as to their transition plans, as well as with some private training establishments (PTEs). Te Pūkenga and TWOA are in the early stages of establishing an MOU to work together. This may cause delays for the early mover transitional ITOs if agreement cannot be reached quickly.
26. Te Pūkenga is establishing a work-based learning subsidiary company to receive arranging training activity from the transitional ITOs. You recently approved the establishment of this subsidiary as required under the Act (B-21-00074 refers). Subject to the TEC Board approving the individual transition plans, Te Pūkenga plans to transfer the arranging training activity from these transitional ITOs to this new work-based learning subsidiary, with each transitional ITO functioning as a discrete business unit. This transition of activities represents the first step towards enabling the integration of on-job, on-campus, and online training to occur.
27. s9(2)(ba)(i)
- It also allows time for the establishment of the operating model, including the information systems best suited to support the business units.
28. The remaining transitional ITOs are required to submit final transition plans to the TEC by the end of September 2021 for approval. These may include a proposed transition to Te Pūkenga, a PTE or wānanga. Service IQ and the Skills Organisation have signed partnership agreements with Te Pūkenga which outline (at a high-level) how the transitional ITOs will work collaboratively with Te Pūkenga to plan their transition pathway.

Employer voice – transitional ITO feedback

29. The transitional ITOs have been negotiating an agreement with Te Pūkenga to ensure their industries have an effective voice in the development of the operating model. s9(2)(ba)(i)

30. s9(2)(ba)(i)

s9(2)(ba)(i)

31 s9(2)(ba)(i)

Capital asset and infrastructure management / ISSP strategies

32. In 2020, Te Pūkenga engaged KPMG to assist in the development of a capital asset strategy. You had identified this as a key area of focus.
33. Over recent months KPMG has undertaken a physical site assessment for each subsidiary which has provided a range of information on utilisation, excess capacity, and seismic and maintenance issues. Assessments have also been made on asset management maturity across the network.
34. KPMG is currently providing its initial findings and recommendations to Te Pūkenga. This includes recommendations for projects to implement immediately to lift capability.
35. While this will allow Te Pūkenga to identify priority areas for investment, a longer-term capital asset strategy and plan is unlikely to be available until 2022 – following the completion of the operating model design work.
36. An ISSP – which guides the strategy and planning for new information and communications technology (ICT) – is a requirement of the Crown funding agreement, and some Crown funding was provided for its development. The ISSP will form part of the Programme Business Case due later this year.

Questions you may wish to ask

37. You may also wish to discuss the following with Murray Strong:
- What are the risks to the delivery of its operating model and wider transformation programme that Te Pūkenga has identified?
 - How much funding does Te Pūkenga estimate will be required to implement the operating model and the capital asset strategy?
 - How is Te Pūkenga managing the challenging timelines?
 - How is Te Pūkenga managing the subsidiaries to move towards identifying and working as one organisation?

s9(2)(a)

9(2)(a)

Acting Manager Delivery and Projects, Delivery
Tertiary Education Commission
14 April 2021

Hon Chris Hipkins

Minister of Education

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